

INDIANA  
INSPECTOR GENERAL  
2007 Annual Report



# what we do

*"The inspector general shall do the following: ...annually submit a report to the legislative council detailing the inspector general's activities."  
IC 4-2-7-3 (10)*

Governor Mitchell E. Daniels Jr., on his first day of office in 2005, created the Indiana Office of the Inspector General (OIG) by Executive Order. The office was adopted and defined by the Indiana Legislature later that year when House Enrolled Act 1501 was signed into law by Governor Daniels on May 11, 2005. Today, on this three year anniversary, we are honored to file our third annual report, highlighting the results from this new project.

This Indiana OIG model has two benefits unique to the nation's eight other state inspector generals. First, the Indiana model provides the OIG the ability to simultaneously address criminal, ethics and efficiency matters. The other state inspector generals do not have similar concurrent criminal and ethics jurisdiction. The second benefit with the Indiana model is the authority to establish the standards of conduct in these three areas, educate state workers on these standards, and then investigate the violations of these standards. This ability promotes uniformity and consistency for state workers.

The collective results from this Indiana model on its three year anniversary include the following highlights for the first time in Indiana history:

- A codified Code of Ethics
- Over 50 criminal arrests and charges filed by Indiana prosecutors
- Multiple persons banned for life from future state employment
- Web-based delivery of ethics training which monitors compliance
- Over 50 formal advisory opinions issued by the State Ethics Commission, and over 1,000 informal advisory opinions issued by OIG staff to state workers seeking ethics advice
- Multiple OIG recommendations implemented to improve government systems and prevent fraud and waste
- Savings exceeding OIG operating expenses

With the hope that these results meet the expectations of the Indiana Legislature and Hoosier citizens, we acknowledge that these results have been reached with the cooperation from many state agencies, this being the first topic we address in the report.

# collaboration

The first duty of the Indiana Inspector General requires involvement and oversight over state investigations. This has occurred in a variety of ways.

1

Many cases originate from the various agencies requesting the Inspector General to investigate problems within their agencies or other agencies, as demonstrated in the highlights below:

*"The inspector general shall do the following: Initiate, supervise, and coordinate investigations."  
IC 4-2-7-1(1)*

CASE	Agency Requesting IG Investigation	RESULT
DCS Mileage Reimbursement Fraud	OMB	Criminal charges in Lake County
INCOLSA	State Library	Legislative change
Design Backdating Fraud	INDOT	Policy change
ICJI Victim Compensation	ICJI	Legislative change
PLA Bribe	PLA	Ethics violation finding by SEC
Investigator Ghost Employment	DOL	Criminal charges in Allen County
Contractor Bribe to DNR	DNR	Criminal charges in Marion County
Indiana Plan Double-Billing	DWD	Change in grant policy
EBT Fraud	FSSA	Criminal charges in Marion County
First Steps Overbilling	FSSA	Criminal charges in Marion County
Forgery of SBDC Letter	SBDC	Criminal charges in Grant County
Jobworks Contractor Overbilling	FSSA	Criminal charges in Marion County
Part-Time Nurse Overbilling	FSSA	Criminal charges in Marion County
COI Gasoline Purchasing	IDEM	Ethics violation finding by SEC
SEMA Fund Trasfers	SBOA	Recovery of \$1.5M to State Treasury
Delaware Co. EBT Fraud	FSSA	Criminal charges in Delaware County
Theft of Trust Taxes	DOR	Criminal charges in Marion County
Richmond EBT Fraud	FSSA	Criminal charges in Henry County
Ft. Wayne EBT Fraud	FSSA	Criminal charges in Allen County
DOR Tax Money Scam	DOR	Criminal charges in Marion County
DOR Stolen Tax Money	DOR	Criminal charges in Allen County
Motor Pool Misuse of State Property	ISP	Ethics violation finding by SEC
INDOT Fuel Theft	INDOT	Criminal charges in Rush County
Identity Theft	IOT	Criminal charges in Vanderburg Co.

Reports on these cases and others are available on the Inspector General website at:  
[www.in.gov/ig/reports.html](http://www.in.gov/ig/reports.html).

# 2

This supervision and coordination has culminated in quarterly meetings with the many auditing and investigative units within the agencies to share ideas and techniques in combating fraud and inefficiency. The following investigative units participate in this combined effort:

State Board of Accounts Audit & Accounting Operations

Indiana State Police

FSSA Compliance Division

FSSA Internal Investigations

FSSA Audit

DNR Law Enforcement Division

Secretary of State Securities Division

Professional Licensing Agency Compliance

INDOT Internal Affairs Division

DOC Internal Affairs

DOC Division of Field Audits

Department of Revenue

IDEM

Bureau of Motor Vehicles Investigations & Security Division

Bureau of Motor Vehicles Audit Division

Alcohol Tobacco, Excise Police Division

Gaming Commission

Attorney General Executive

Attorney General Medicaid Fraud

DWD

Department of Insurance

Indiana Office of Technology

Indiana Office of Inspector General



These meetings are also reported in the Inspector General publication, *Indiana Investigates*, available on-line at: [www.in.gov/ig/publications.html](http://www.in.gov/ig/publications.html).

# 3

These quarterly meetings have also developed into three annual summits with the attendance of Governor Daniels to thank the many auditors and investigators for their contributions to the integrity of state government.



Communications and partnerships with the following federal investigative and law enforcement units have also occurred:

Inspector General, Department of Agriculture  
 Inspector General, Health and Human Resources  
 Inspector General, Department of Justice  
 Inspector General, Social Security Administration  
 Inspector General, Department of Labor  
 Inspector General, Department of the Treasury  
 Inspector General, Environmental Protection Agency  
 Inspector General, United States Postal Service  
 Federal Bureau of Investigation  
 United States Attorney's Offices (Indiana and Kentucky)

Inspector General staff have also made numerous public appearance speeches across Indiana to share the duties of the Office of the Inspector General, including presentations to the following auditing and investigative organizations:

Indiana Insurance Company Fraud Investigators  
 Governmental Affairs Society of Indiana  
 Indiana Association of Counties  
 Indiana Sheriff's Association  
 ICLEF: Revealing the Mysteries of Administrative Law  
 State Board of Accounts Annual Meetings  
 Association of Government Accountants  
 Central Indiana Chapter of the Association of Certified Fraud Examiners  
 Indianapolis Bar Association Government Practice Section  
 ILI The Legislative Conference  
 Indiana CPAs  
 International Association of Special Investigation Units  
 DOC leadership ethics training  
 DNR leadership ethics training  
 FSSA Compliance Division retreat  
 ISP Trooper ethics training  
 Association of Government Accountants



# education

The year 2007 saw the launching of the new computerized ethics training project. Led by Ethics Director Cyndi Carrasco of the Office of the Inspector General, this on-line module for the first time in Indiana history provides state workers with improved training on the Indiana Code of Ethics in several new ways.

First, this program for the first time immediately monitors and reports by agency those who have and have not completed the training to insure better accountability.

Second, the web-based training helps ensure a state worker's understanding of the rules by engaging the worker with interactive questions.

Third, the computerized training also insures a more uniform and efficient method of education. This training may also be taken in the evenings or weekend if more convenient to the state worker.

Fourth, these newly developed reporting procedures developed by the Office of the Inspector General will be available to other agencies who wish to engage in and monitor other types of computerized education for state workers.

*"The inspector general shall do the following: Ensure that every employee...is properly trained in the code of ethics; Provide advice to an agency on developing, implementing, and enforcing policies and procedures to prevent or reduce the risk of fraudulent or wrongful acts within the agency; Prepare interpretive and educational materials and programs."*  
IC 4-2-7-3

The screenshots illustrate the web-based training module for the Indiana Code of Ethics. The left screenshot shows the 'View Progress Page' and 'Table Of Contents' for the 'Indiana Code of Ethics' module. The middle screenshot shows the 'Training' page with a list of topics including 'Ethics Code', 'Ethics Compendium', 'Advice', 'Training', 'Resource Center', 'Financial Disclosure Statements', and 'Investigative Hotline'. The right screenshot shows the 'Ethics Training Course' page with a list of topics including 'Ethics Training Course', 'Ethics Training User Guide', 'Ethics Training User Guide Workbook/Notes', and 'Ethics Training User Guide Workbook/Notes'.



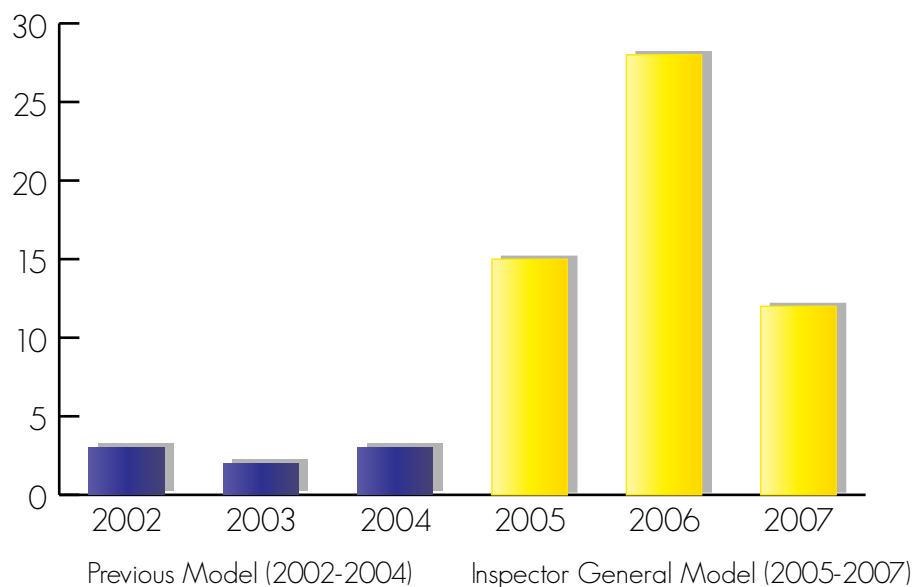
# ethics commission

*"The Inspector General shall provide ... staff assistance for the ethics commission."  
IC 4-2-7-2(a)*

The Inspector General staff is the staff which previously assisted the State Ethics Commission prior to the creation of the Office of the Inspector General. This preserves the 30-year heritage and uniformity of a single entity addressing the standard of conduct and the education and investigation of violations of these standards. The creation of the Code of Ethics and the increased education and investigation have likewise increased Commission activity, as reflected in the following highlights:

1

Formal advisory opinions by the State Ethics Commission are at an all-time high. These are written opinions interpreting the Indiana Code of Ethics and are issued by the State Ethics Commission with the assistance of Inspector General staff. These written opinions are issued to state employees who seek advice on the Indiana Code of Ethics. The State Ethics Commission, itself, is an independent and bi-partisan entity of five persons from across Indiana. Commission members volunteer their time and meet monthly. The Commission is also the ultimate authority on interpreting the Indiana Code of Ethics. More information about the Commission may be found on the website at: [www.in.gov/ig/commission.html](http://www.in.gov/ig/commission.html).



State Ethics Commission Formal Advisory Opinions

The formal advisory opinion process is designed to be user-friendly to the state worker requesting the advice from the Commission, and requires lengthy preparation and post-hearing action by the Commission and Inspector General staff. Requests are processed and scheduled for the monthly Commission meetings, legal and investigative research is compiled, the hearing occurs with the receipt of sworn testimony and questioning by the Commission, and the formal opinion is drafted, approved and issued. These opinions are then categorized by the applicable Code of Ethics rule and posted on the website at: [www.in.gov/ig/codecomplete.html](http://www.in.gov/ig/codecomplete.html).

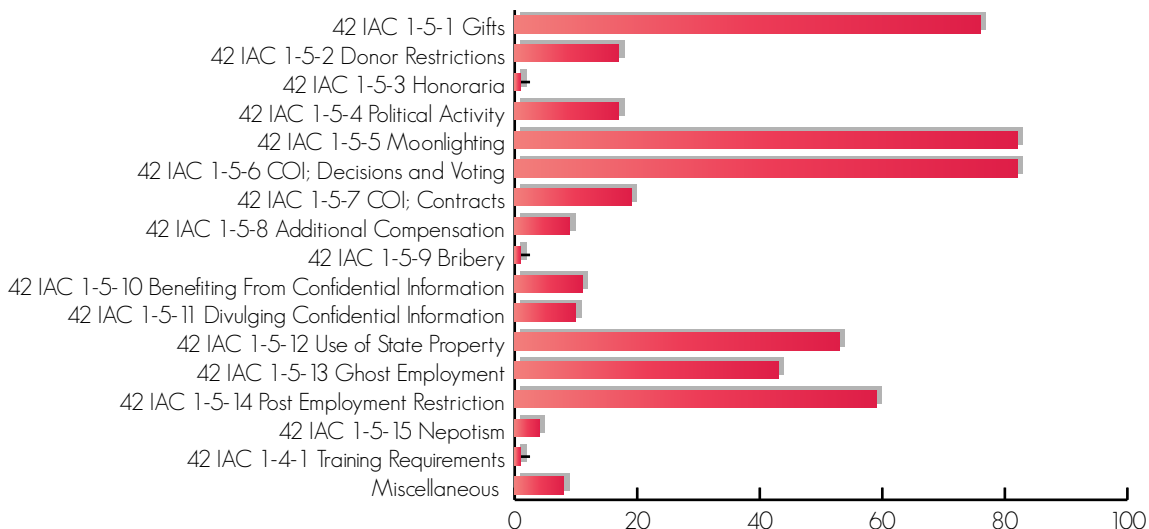
Both a Formal Advisory Opinion from the Commission and an Informal Advisory Opinion from the Inspector General staff may be requested on the website at: [www.in.gov/ig/advice.html](http://www.in.gov/ig/advice.html).

## 2

The Office of the Inspector General since its inception has also issued over 1,000 Informal Advisory Opinions to state employees who have sought advice on the Indiana Code of Ethics. Although the State Ethics Commission Formal Advisory Opinions are the ultimate source for interpreting the Indiana Code of Ethics, many state employees rely on these Informal Advisory Opinions for ethics advice. These Informal Advisory Opinions are issued based upon the precedent of the Indiana Code of Ethics and the Formal Advisory Opinions issued by the State Ethics Commission.

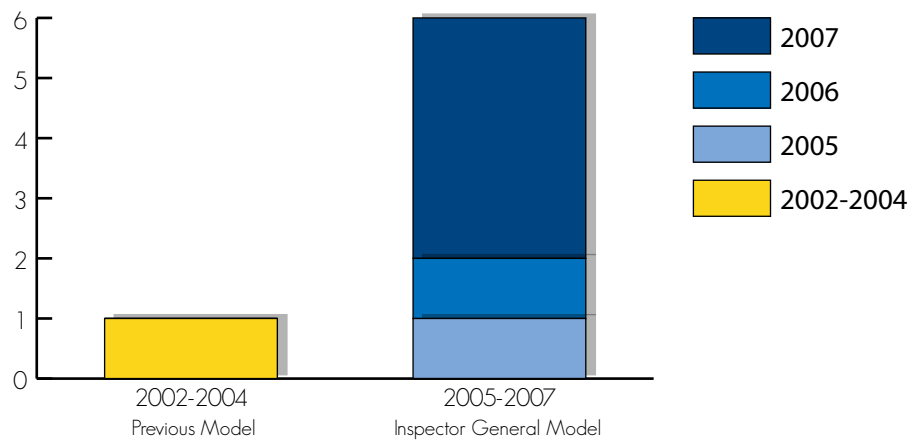
*"The Inspector General shall do the following: ...Ensure that every employee...is properly trained in the code of ethics; ...prepare interpretive and educational materials and programs."  
IC 4-2-7-3*

Informal Advisory Opinions  
by Topic, 2007



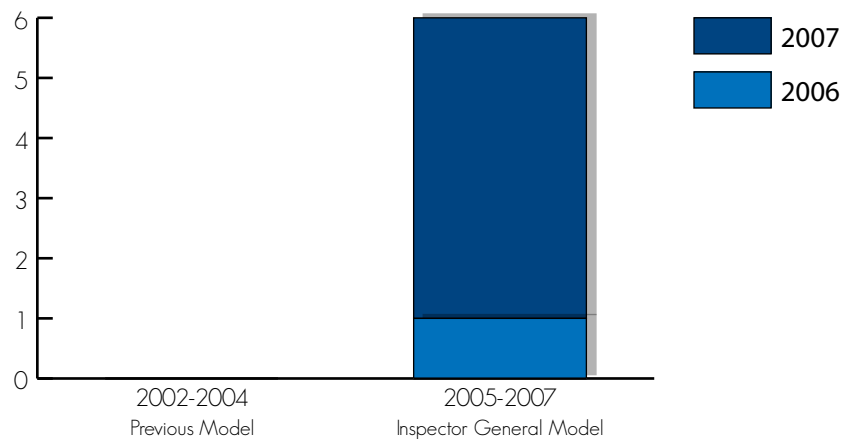
### 3

There has also been an increase in ethics complaint litigation. A respondent is a person named in a written complaint as violating an ethics rule. If an agreement is not reached as to the admission to and penalty for the filed complaint, the respondent and the Inspector General staff may litigate the case before the Commission.



### 4

Based upon complaints filed by the OIG, the Commission has also banned multiple state employees from future employment with state government.



# investigations

The investigations of the seven Inspector General Special Agents for 2007 resulted in 12 criminal arrests, probable cause approvals for the filing of 11 Ethics Commission complaints, and an additional six efficiency reports.

PERSONS CHARGED	FELONY COUNTS	CASE
1	2	FSSA Voc Rehab Fraud
1	3	Delaware County EBT Fraud
1	2	State Employee Identity Theft
1	3	Marion County EBT Fraud
2	5	Allen County EBT Fraud
1	3	Marion County DOR Theft
1	3	Marion County DOR Theft
1	4	Allen County EBT Fraud
1	2	Allen County Theft
1	2	Johnson Co. Impaired Driver
1	2	St. Joseph County DOR
<b>12</b>	<b>29</b>	<b>TOTAL</b>

ACTION	RESULTS	EXPLANATION
Criminal Investigations to Prosecuting Attorneys	19	Investigations complete; submitted to PA for criminal prosecution
Ethics Adjudications	11	Investigations complete; submitted to Ethics Comm. for adjudication
Efficiency Reports	6	Investigations complete; resolved by written efficiency report
Cases of insufficient cause	151	No merit to investigate or refer
Cases of no jurisdiction	62	No jurisdiction to proceed
Cases merged or referred	37	Investigations with duplicated complaints/referred to other entity
Total cases received in 2007	290	Requests for investigations in 2007

Reports on these cases are available on the Inspector General website at:  
[www.in.gov/ig/reports.html](http://www.in.gov/ig/reports.html).

# recommendations

One of the hallmarks of an effective Inspector General Office is the recommendation process. The highlights below show Indiana Inspector General recommendations which have been successfully implemented, resulting in greater efficiency, integrity, and improvement in the Executive Branch of Indiana government.

## Recommendations to the Indiana Legislature:

*"The inspector general shall...recommend policies and carry out other activities designed to deter, detect, and eradicate fraud, waste, abuse, mismanagement, and misconduct in state government; provide advice to an agency on developing, implementing, and enforcing policies and procedures to prevent or reduce the risk of fraudulent or wrongful acts within the agency; recommend legislation to the governor and general assembly to strengthen public integrity laws..."*  
IC 4-2-7-3

Inspector General recommendation that the Legislature address the authorization of the State Museum Foundation to work with the Department of Natural Resources in operating the State Museum. Implemented with the passage of HEA 1121-2008 (in Public Law 66-2008).

Inspector General recommendation that the Legislature eliminate the General Fund line item appropriation from INCOLSA and move the oversight of these funds to the State Library, permitting more state control of cooperative, statewide library services with improved accountability. Implemented in HEA 1001-2007.

Inspector General recommendation that the Legislature address and clarify employment status requirements for Worker's Compensation Board members. Implemented in Public Law 134-2006 in IC 22-3-1-1(c).

## Recommendations to the Governor and State Agencies:

Inspector General recommendation approved by the Governor and Indiana Criminal Justice Institute that agency leader and second in command of the Indiana Criminal Justice Institute be removed for improper awarding of grants and other activities. Implemented.

Inspector General recommendations to Department of Corrections Community Corrections Division to monitor and audit project income granted to local Community Corrections boards. Implemented, resulting in millions of dollars being returned to the Department of Corrections.

Inspector General recommendation to change Department of Transportation design firm selection process, prohibiting Commissioner from by-passing selection process to award design contracts to favored firms. Implemented with new written policy controlling selection process.

Inspector General recommendation that lights in Government Centers North and South be turned off after work hours to save money. Implemented. Re-implemented after non-compliance.

Inspector General recommendation that funds in Bureau of Motor Vehicles accounts in Indianapolis branch be seized. Implemented with return of \$1.8 million to State Treasury.

Inspector General recommendation to PeopleSoft that vendor files not disclose procurement officer social security numbers to avoid identity theft. Implemented with masking of first five numbers of state worker's social security numbers.

Inspector General recommendation that Bureau of Motor Vehicles end its relationship with Fleetmax Corporation which was participating in titling process in violation of Indiana law. Implemented with cancellation of Fleetmax contract by BMV.

Inspector General recommendation that Department of Administration's Travel Office address use of travel service contractor by relatives of state employees. Implemented with written policy.

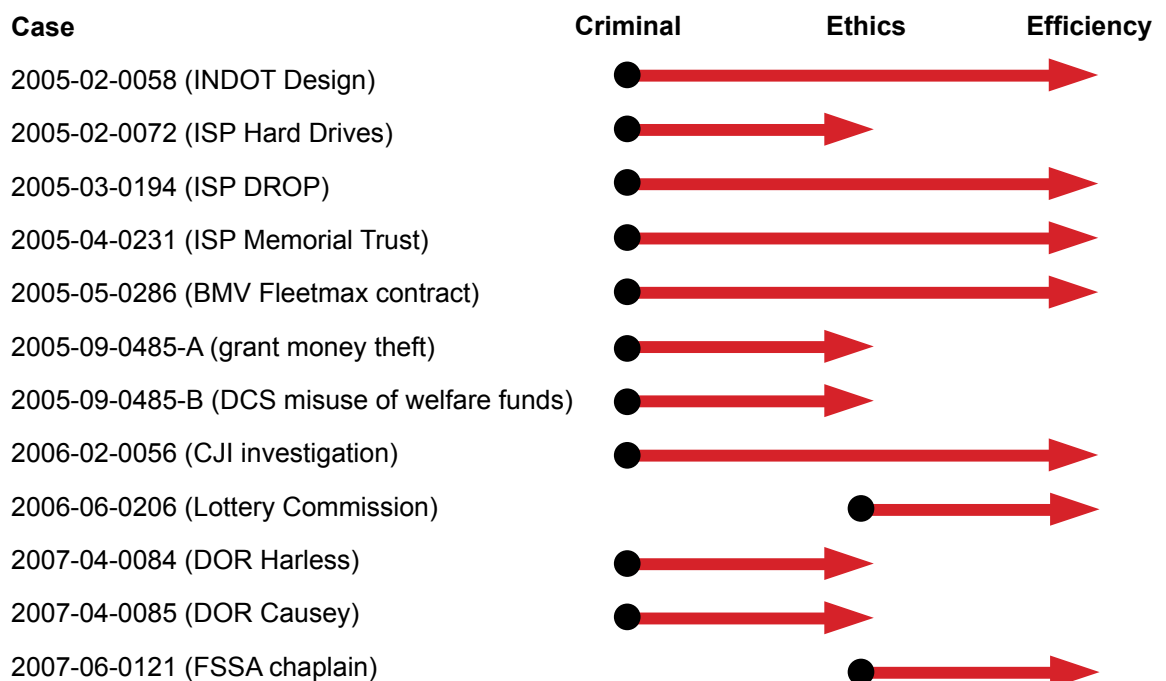
These recommendations are included in the OIG reports which may be found at: [www.in.gov/ig/reports.html](http://www.in.gov/ig/reports.html).



# concurrent jurisdiction

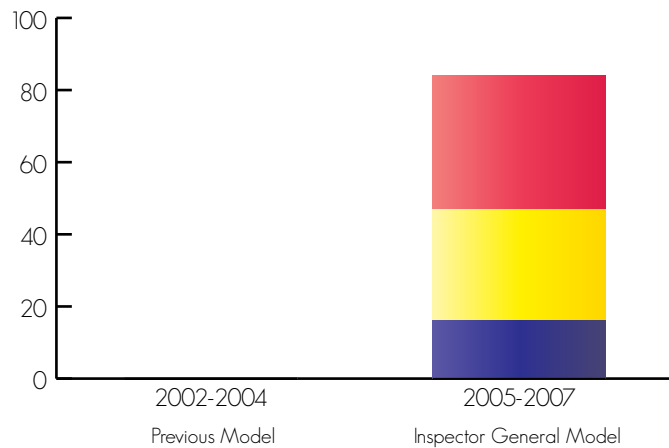
One of the benefits of the Indiana OIG model is the ability to simultaneously address criminal, ethics, and efficiency matters. The other state inspector generals do not have similar concurrent criminal and ethics jurisdiction. The Indiana model permits training efforts to be uniform and investigations to continue without interruption when a set of facts often involves all three areas of law.

The below chart demonstrates how specific OIG investigations often implicate the different areas and migrate between criminal, ethics, and efficiency issues. The full investigative reports may be found on the OIG website at: [www.in.gov/ig/reports.html](http://www.in.gov/ig/reports.html).



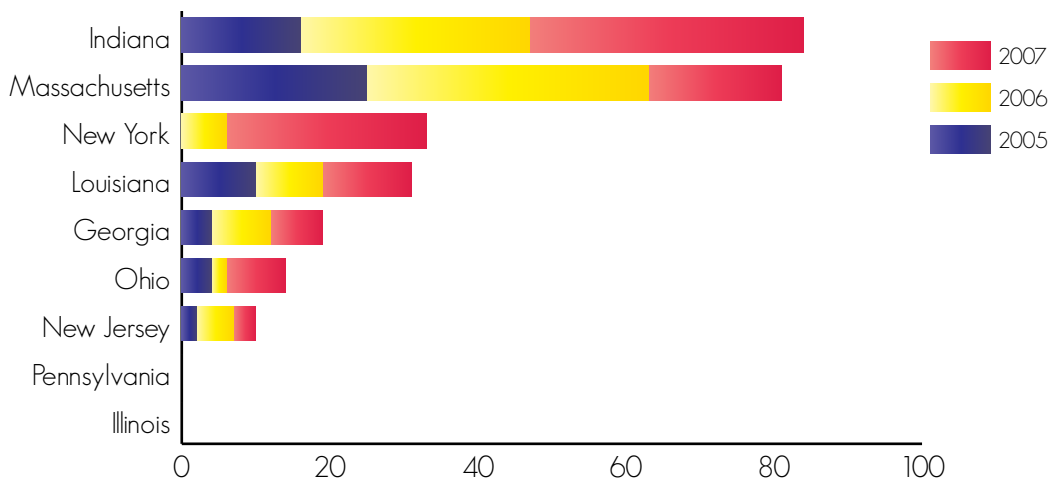
# reports

With 36 reports published in 2007, the OIG has currently published over 100 investigative reports on its website.



*"The inspector general shall prepare a report summarizing the results of every investigation..."*  
IC 4-2-7-4(3)

Among the nation's state Inspector Generals, the Indiana OIG publishes more reports than any other.



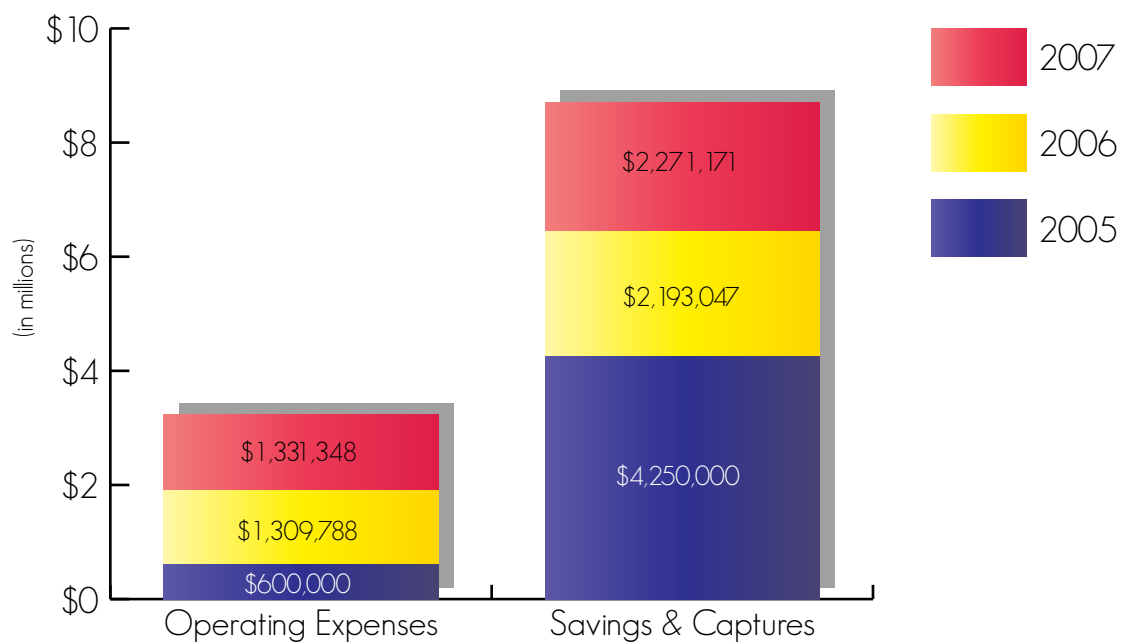
# 2007 savings

Case	Savings & Captures	Aggregate Fraud Activity	Synopsis
2005-01-0008 (Comm. Corrections update)	\$1,300,000	n/a	Additional CC funds returned to DOC (separate from original \$2M)
2005-06-0311 (IDEM Env. Loan Fund)	\$67,715	same	Negotiated settlement payments remitted to IDEM
2005-09-0436 (IMPACT Fraud by MECCA)	--	\$40,000	Halted continuing theft; criminal charges filed; trial pending
2006-02-0063 (IDEM Vehicle Use)	\$457	same	Ethics Comm. civil penalty under IC 4-2-6-12; employee fired
2006-02-0067 (Regenerations)	--	\$110,000	Halted theft; criminal conviction in fed. court; sentence pending
2006-02-0098 (Misuse of State Postage)	\$200	same	Ethics Commission civil penalty under IC 4-2-6-12
2006-06-0206 (Lottery Commission)	--	\$12,504	Inappropriate expenditures
2006-10-0283 (IMPACT Fraud)	--	\$3,300	Referred to AG for collection
2006-11-0321 (Delaware Co. EBT Fraud)	\$44,000	same	Halted theft; crim. charges filed; guilty plea; PERF seized; restitution
2006-11-0322 (State Library & INCOLSA)	\$787,000	n/a	Reduction in General Fund appropriation; services consolidated
2006-11-0333 (DOR Employee Theft)	\$23,506	same	Halted theft; crim. charges filed; guilty plea; PERF seized; restitution
2007-02-0046 (Marion Co. EBT Fraud)	--	--	Pending
2007-03-0054 (Allen Co. EBT Fraud)	--	\$35,936	Halted continuing theft; criminal charges filed; trial pending
2007-03-0055 (Allen Co. EBT Fraud)	\$17,767	same	Halted theft; crim. charges filed; guilty plea; PERF seized; restitution
2007-03-0062 (Allen Co. EBT Fraud)	--	\$30,470	Felony charges filed; trial pending
2007-04-0084 (DOR Employee Theft)	\$12,509	same	Halted theft; crim. charges filed; guilty plea; PERF seized; restitution
2007-04-0085 (DOR Employee Theft)	\$12,138	same	Halted theft; crim. charges filed; guilty plea; PERF seized; restitution
2007-05-0098 (Motor Pool I)	\$700	same	Ethics Commission civil penalty under IC 4-2-6-12
2007-05-0098 (Motor Pool II)	\$1,000	same	Ethics Commission civil penalty under IC 4-2-6-12
2007-09-0193 (DOR Employee Theft)	\$4,179	same	Halted theft; crim. charges filed; guilty plea; PERF seized; restitution
2007-10-0240 (INDOT Rushville Theft)	--	\$794	Halted continuing theft; criminal charges filed; trial pending
<b>TOTAL</b>	<b>\$2,271,171</b>	<b>\$233,004</b>	
<b>AGGREGATE FRAUD ACTIVITY TOTAL</b>		<b>\$2,504,175</b>	

# total savings

OIG 2005-2007

Operating Expenses vs. Savings & Captures



Total Operating Expenses, 2005-2007: \$3,241,136

Total Savings & Captures, 2005-2007: \$8,714,218

## Final Note from the Inspector General

The OIG wishes to extend appreciation for the opportunity to serve Indiana these first three years. We also welcome comments and suggestions for future improvement.

Credit for the results in this annual report must go to the entire OIG staff:

Bud Allcron	Alan McElroy
Darrell Boehmer	Mike Mischler
Cyndi Carrasco	Mark Mitchell
Dave Clark	Amanda Schaeffer
Chuck Coffin	Todd Shumaker
Joann Flynn	Kristi Shute
Melissa Nees Hauger	Marilyn Smith
Dhiann Kinsworthy-Blye	Cindy Wilcoxon

Special thanks is given to the Indiana State Board of Accounts for the many audits performed in support of OIG investigations.

This annual report was prepared by OIG Director of Administration, Melissa Nees Hauger, without expense to the state pursuant to IC 5-14-6-3.

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